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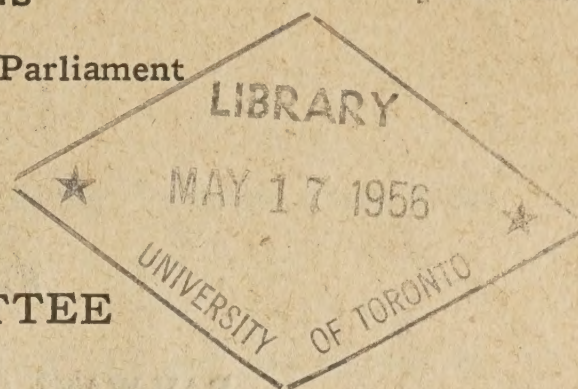
Canada, Railway, Canals and Telegraph  
Lines, Standing Committee, 1956

Government  
Publication

HOUSE OF COMMONS

Third Session—Twenty-second Parliament

1956



STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

BILL 248

An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from a point at or near Bartibog in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.—*The Minister of Transport.*

MONDAY, MAY 7, 1956

WITNESS:

Mr. S. W. Fairweather, Vice-President, Research and Development,  
Canadian National Railway Company, Montreal.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* H. B. McCulloch, Esq.,  
and Messrs.

Barnett	Garland	Leboe
Batten	Goode	Maltais
Bennett (Miss) ( <i>Halton</i> )	Gourd ( <i>Chapleau</i> )	McBain
Bonnier	Green	McIvor
Boucher ( <i>Chauteauguay-</i> <i>Huntingdon-Laprairie</i> )	Habel	Meunier
Buchanan	Hahn	Murphy ( <i>Lambton West</i> )
Byrne	Hamilton ( <i>York-West</i> )	Murphy ( <i>Westmorland</i> )
Campbell	Harrison	Nesbitt
Carrick	Healy	Nicholson
Carter	Herridge	Nickle
Cauchon	Hodgson	Nixon
Cavers ( <i>Vice-Chairman</i> )	Holowach	Nowlan
Clark	Hosking	Purdy
Decore	Howe ( <i>Wellington-</i> <i>Huron</i> )	Ross
Deschatelets	James	Small
Dufresne	Johnston ( <i>Bow River</i> )	Viau
Dupuis	Kickham	Villeneuve
Ellis	Lafontaine	Vincent
Follwell	Langlois ( <i>Gaspe</i> )	Weselak
Gagnon	Lavigne	

A. Small  
*Clerk of the Committee.*



## REPORT TO HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

### FIFTH REPORT

Your Committee has considered the following bill and has agreed to report it without amendment:

Bill 248, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from a point at or near Bartibog in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.

A copy of the Minutes of Proceedings and Evidence relating to the said bill is appended hereto.

Respectfully submitted,

H. B. McCULLOCH,  
*Chairman.*



## ORDERS OF REFERENCE

WEDNESDAY, May 2, 1956.

*Ordered*,—That the following Bill be referred to the said Committee:

Bill No. 248, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from a point at or near Bartibog in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.

THURSDAY, May 3, 1956.

*Ordered*,—That the name of Mr. Nicholson be substituted for that of Mr. McCullough (*Moose Mountain*) on the said Committee.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*



## BILL 248

### EXPLANATORY NOTE

The purpose of this bill is to authorize the construction by Canadian National Railways Company of a railway line from Bartibog to Tomogonops River in New Brunswick. The Bill is in the standard form.

### THE HOUSE OF COMMONS OF CANADA

An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from a point at or near Bartibog in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. The Governor in Council may provide for the construction and completion by Canadian National Railway Company (in this Act called "the Company") prior to the 1st day of November, 1958, or such later date as the Governor in Council may fix, of the line of railway (in this Act called the "railway line") described in the Schedule.

Construction and completion.

2. The Company shall adopt the principle of competitive bids or tenders in respect of the construction of the railway line in so far as the Company decides not to perform such work or any part thereof with its own forces, but the Company is not bound to accept the lowest or any bid or tender made or obtained nor precluded from negotiating for better prices or terms.

Competitive bids or tenders.

3. Estimates of the mileage of the railway line, the amount to be expended on the construction thereof and the average expenditure per mile are set out in the Schedule, and, except with the approval of the Governor in Council, the Company shall not in performing the work of construction and completion exceed such estimates by more than fifteen per cent.

Maximum expenditure.

4. Subject to the provisions of this Act and the approval of the Governor in Council, the Company may, in respect of the cost of the construction and completion of the railway line, or to provide amounts required for the repayment of loans made under section 5, issue notes, obligations, bonds, debentures or other securities (in this Act called "securities"), not exceeding in the aggregate, exclusive of any securities issued to secure loans made under section 5, the sum of three million two hundred and twenty thousand dollars, bearing such rates of interest and subject to such other terms and conditions as the Governor in Council may approve.

Issue of securities.

5. To enable the work of construction and completion of the railway line to proceed forthwith, the Minister of Finance, upon application made to him by the Company and approved by the Minister of Transport, may, with the approval of the Governor in Council, make temporary loans to the Company out of the Consolidated Revenue Fund, not exceeding three million two hundred and twenty

Temporary loans.



thousand dollars, repayable on such terms and at such rates of interest as the Governor in Council may determine and secured by securities that the Company is authorized to issue under section 4.

Guarantees. 6. (1) The Governor in Council may authorize the guarantee by Her Majesty in right of Canada of the principal and interest of the securities that the Company may issue under the provisions of this Act.

Form and terms. (2) The guarantee may be in such form and subject to such terms and conditions as the Governor in Council may determine to be appropriate and applicable thereto and may be signed on behalf of Her Majesty by the Minister of Finance or such other person as the Governor in Council may designate, and such signature is conclusive evidence for all purposes of the validity of the guarantee and that the provisions of this Act have been complied with.

Guarantee may be general or separate. (3) Any guarantee under this Act may be either a general guarantee covering the total amount of the issue or a separate guarantee endorsed on each obligation.

Temporary guarantees. (4) With the approval of the Governor in Council, temporary guarantees may be made to be subsequently replaced by permanent guarantees.

Deposit of proceeds of sale, etc., of securities. 7. (1) The proceeds of any sale, pledge, or other disposition of any guaranteed securities shall in the first instance be paid into the Consolidated Revenue Fund or shall be deposited to the credit of the Minister of Finance in trust for the Company, in one or more banks designated by him.

Release of deposits. (2) The Board of Directors of the Company may authorize application to be made to the Minister of Transport for the release of any part of the proceeds deposited pursuant to subsection (1) to the Company for the purpose of meeting expenditures in respect of the construction of the railway line, and the Minister of Transport may approve the applications, and upon request of the Minister of Transport the Minister of Finance may pay the amount or amounts of such applications or part thereof accordingly.

Report to Parliament. 8. The Minister of Transport shall present to Parliament during the first ten days of each session held prior to the date of completion fixed by or under section 1, a statement showing in detail the nature and extent of the work done under the authority of this Act during the previous calendar year, and the expenditure thereon, and the estimated expenditure for the current calendar year, together with the amount of any advances made under section 5 and the amount of such advances reimbursed, and such further information as the Minister of Transport may direct.

SCHEDULE

Location	Estimates		
	Mileage	Cost of Construction	Average cost per mile
From a point at or near Bartibog in the Province of New Brunswick in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.....	22	\$2,800,000.	\$127,270.



## MINUTES OF PROCEEDINGS

MONDAY, May 7, 1956.

(4)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 o'clock. The Chairman, Mr. H. B. McCulloch, presided.

*Members present:* Messrs. Barnett, Campbell, Carter, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Healy, Herridge, Johnston (*Bow River*), Langlois (*Gaspé*), McBain, McCulloch (*Pictou*), McIvor, Nicholson, Nowlan, Purdy, Viau and Weselak. (20)

*In attendance:* Honourable George C. Marler, Minister of Transport; Mr. S. W. Fairweather, Vice President (Research and Development); Mr. Lionel Côte, Assistant General Solicitor; Mr. G. H. Hoganson, Engineer, Canadian National Railways, Montreal, and Mr. K. M. Ralston, Mining Engineer, Montreal.

The Committee had for consideration Bill No. 248, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from a point at or near Bartibog in a westerly direction to the Tomogonops River in the vicinity of Little River Lakes.

On motion of Mr. McIvor, seconded by Mr. Purdy,

*Resolved*,—That the Committee print 650 copies in English and 200 copies in French of the Minutes of Proceedings and Evidence in relation to Bill No. 248.

Mr. S. W. Fairweather was called and examined.

In the course of his examination, the witness pointed to a map showing the district where the proposed branch line is to be built.

The Committee then considered Bill No. 248, clause by clause. Clauses 1 to 8 inclusive, were adopted.

The schedule was adopted.

The title was adopted.

*Ordered*,—That the Chairman report the Bill to the House without amendment.


Before adjournment the Minister of Transport called upon Mr. Fairweather to introduce the officials who accompanied him to Ottawa.

The Chairman expressed to Mr. Fairweather and the above-mentioned officials the appreciation of the Committee.

The Committee adjourned to the call of the Chair.

Antonio Plouffe,  
*Clerk of the Committee.*





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## EVIDENCE

MONDAY, May 7, 1956.

The CHAIRMAN: Order, gentlemen, we have a quorum. Today we have to consider Bill 248—An Act respecting the construction of a line of railway in the province of New Brunswick by Canadian National Railway Company.

It is customary, in the case of a government bill of this kind, to have the committee print. Will someone make a motion?

Mr. McIVOR: Mr. Chairman, I move, seconded by Mr. Purdy, that the committee print 650 copies in English and 200 in French of the Minutes of Proceedings and Evidence in relation to Bill No. 248 now before the committee.

Motion agreed to.

The CHAIRMAN: I would like to ask the hon. Minister of Transport to introduce the witness.

Hon. Mr. MARLER: Mr. Chairman, Mr. Fairweather, vice president (research and development) of the C.N.R. is present and I think it would be a good idea if we were to proceed by asking him now to outline this project and give us an indication of how it has developed. Then, perhaps, he could touch briefly on the technical aspects of the matter, after which if members of the committee have any questions in connection with the project I am sure he will be able to answer them and give any information which had not been covered in his explanation.

**S. W. Fairweather, Vice President, Research and Development, Canadian National Railways, called:**

The WITNESS: Mr. Chairman, the Branch Line Bill which is before you is to enable the C.N.R. to serve the operation of the mining field being developed in the province of New Brunswick. The particular mine which the line is designed to serve at this time is known as the Heath Steele Mine. The area in New Brunswick in which the Heath Steele mine is located has developed into one of the major mineral belts of Canada. It is a zinc-lead-copper area with some values in silver and gold. The particular mine with which we are concerned—the Heath Steele mine—is a subsidiary of the American Metals Company and, I believe, of the International Nickel Company.

Early in its development when it was a raw prospect we became interested in it as a potential source of traffic and we entered into early negotiations with Heath Steele mines, looking to the possibility of providing them with rail services. This was an interesting case because here we were dealing with a problem that might have been solved by highway transport and we had actually to canvass this mining company and convince them that they would be better off if they were served by a railway than if they depended solely upon highway transport. We did a pretty fair job, and not only did we convince them that they would be better off with the railway but we also convinced them that they could afford to give us a traffic guarantee of substantial volume sufficient to lift this branch line from a speculative position to a straight business proposition.

The railway will bring the concentrates from the Heath Steele mines, in the vicinity of the Tomogonops river, out 22 miles to the main line at Bartibog



and thence from the main line to the point of shipment, by water for part of the concentrates and by rail for some other types of concentrate. We estimate that the line will cost not more than \$2,800,000.

Altogether this is one of the happiest branch line developments I have had anything to do with; not only is it on a sound business basis in its present stage but it is also strategically located to serve other mines which may develop in the area south of the Nipisiguit river. These other properties are not as yet in a stage which would warrant our seeking authority to construct additional mileage, but I have reasonable confidence that more than one mine will be served by this branch line. I might add that the mining company co-operated fully with us; they gave us a full disclosure of their plans for development; we co-ordinated our timing of the construction of the branch line with their development of the mine and we assured ourselves that there were sufficient ore reserves in the property that under normal business conditions, if no other mines should be discovered and if this mine should be exhausted within the limits of the present known reserves, we would still recover the capital cost of the branch line.

I might add for general information—I do not think I am disclosing any business secrets—that the Heath Steele mines plans to spend about \$12 million to bring this property into production, which will give you some idea of the scale of its activities. Taking it all in all I heartily commend this branch line to you.

The CHAIRMAN: Are there any questions which any member of the committee would like to ask Mr. Fairweather?

*By Mr. Johnston (Bow River):*

Q. Mr. Fairweather has indicated that it will cost about \$2,800,000 to build this railway. That would be government expenditure, would it not? They would be putting up the money?—A. The railway will be built at the expense of the Canadian National; we will find our money; the government will, so to speak, be our banker but the cost of this line will appear in the balance sheet of the C.N.R. The money spent on the construction will be interest bearing and the full charge will appear in the C.N.R. report.

Q. You mentioned a very interesting point about a traffic guarantee. Could you explain that a little more fully? What do you mean by saying you received a traffic guarantee?—A. We have found that where we are building a single-purpose branch line—where the branch line is essentially for the benefit of a single industry—it is desirable to insist upon getting some guarantee of performance on the part of the industry before we go to the expense of building the branch line. In this case we shall be risking \$2,800,000 and we think it is only reasonable that the industry which is being served by this private line should give us a guarantee that the traffic which they hold out as an inducement for us to build the branch line will in fact come into being. Therefore we make a practice of requiring that such industries should disclose to us their full plans, the nature of their natural resources, where they expect to find their markets and some appraisal of the economic soundness of the ventures.

Q. How long do you anticipate will elapse before you get your capital back?—A. On the present level of traffic on this line we would have amortized our capital in a little less than 10 years.

Q. That represents a pretty fair risk, does it not?—A. I think it is an excellent risk considering what we have discovered about the property. These people have ore reserves at the present time which are good for about 15 years at the present rate of mining, so the element of risk, just on the basis of these operations, is not very great.



In addition to that we have, as I said, secured from them an actual traffic guarantee so that if they should fall down on the anticipated volume of traffic—that is substantially—they would have to pay us a penalty.

Q. Are there any highways in that area?—A. Oh yes. This company, cooperating with the province, built a highway from Newcastle into the property.

Q. What kind of highway is it?—A. A gravel highway.

Q. Why were you concerned about having them build a railway rather than improve the highway?—A. Because we were out to do two things: first, we wanted to make some money—we wanted to engage in a profitable enterprise; then, as a development officer I had a wider interest. This is one of the major mining areas in eastern Canada and the marginal value of this territory will be determined to a considerable extent by the cost of transportation. As a transportation man I know that once you establish a high enough volume of business to absorb the overhead to the railway the railway can furnish transportation needed for that area at only a fraction of the cost of furnishing the same services by highway. That means that if you provide a railway instead of the highway it will add value to this vast mineral development, so that in the long-term pull we would be doing something by rail which could not be done by highway.

Q. Would you consider that if there were a properly built highway there it would interfere greatly with the type of haulage on which you make your money by rail?—A. We hope we make money on all the traffic we handle by rail, but if you mean whether a highway would “bleed off” certain of the high value traffic and leave us with the low value traffic, we took care to see that even, if that did occur, we would be on the right side of the ledger. Actually, I would think that the amount of high value traffic moving in to this area would be largely immune from highway transportation because it would be long-haul mining supplies—explosives, reagents, steel and things of that character. But we ask no favours; we are content to live in the competitive framework as it exists; we look at this proposition in the light of the present competitive framework; we have not, in other words taken any “wooden money” in considering this venture.

Q. You have a virtual monopoly on the freight hauled and on the passenger service as well?—A. There will be no passenger service involved in this. We made it quite plain to the company that the highway was a more efficient tool for transporting passengers than the railway; in consequence, we have no position with regard to that.

Moreover you are in error. There is no monopoly. They do not have to ship one pound of freight over this railway—the only thing is that if they do not ship a certain volume of the production of the mine over the railway they would be obliged to pay us a penalty.

Q. That is practically an agreed charge, is it not?—A. No, it is not an agreed charge. You could not possibly call this an agreed charge.

Q. What chance would the New Brunswick government have, economically speaking, of putting in a good hard surface highway if you have a guarantee on the traffic?—A. Well, all I can say to you sir, is this; the traffic which we propose to move by rail is traffic which should not be on the highway; for example, the reason is that the cost of moving it on the highway could not be less than 9 cents per ton mile, while the cost of moving it by railway would certainly not exceed 2 cents per ton mile. So just the ordinary laws of economics will put an end to it, once you have decided that there is enough capital resources there to justify the construction of the railway.

Q. You think you have a need for that line in your plan, and that it would be more economical to ship over the railway?—A. Yes, and for the reason I have stated. Whenever you build a branch line for a single purpose industry you are dealing with a somewhat different situation than when you are dealing



with a branch line for general development purposes. I think it is a perfectly sound principle that we should look at the construction of the railway, and the development of the industry as a sort of partnership; each one is putting in risk capital.

If the industry, let us say, takes all the risk, it also takes all the profits. If the railway goes in without a guarantee, then the railway takes all the risks and very little of the profits. I have found that no substantial industry has ever objected to this type of guarantee that we have had. We have used it in other cases; this is not unique. We used it in the Chibougamau branch line; we used it in the Barute branch line; we used it in the Kitimat branch line; and we used it in connection with the branch line up to Lynn Lake. It is quite in accordance with our policy.

Q. How are they getting their other types of supplies in there now?—

A. The mine is under development, and they are located at the mine. If you went there today you would see that they are busily engaged at the mine in sinking shafts and erecting buildings for the mill which will grind the ore. Their supplies at the present time are moving by rail to Newcastle. Then they are taken out of the railway cars at Newcastle and are hauled from Newcastle by highway. That is the only means of access which they have at the moment.

Q. So you think, in respect to the economics of the operation that in the long run it would not affect or hurt the railways, that they should have both a railway and a highway?—A. They will have both.

Q. But you have made them guarantee traffic for the railway?—A. They guaranteed that traffic as relating to out-bound products of the mine. There is no monopoly whatever on transportation. Everybody is free to ship in the goods he pleases, in or out of the property. We do not ask for a monopoly. All we asked for was a reasonable guarantee for the prime purpose of the branch line, and that was the transport of concentrates from the mine out to points of shipment by water, and by all rail to other points.

*By Mr. Campbell:*

Q. There would not be, other than pulp wood, any products from the agricultural end of it, would there?—A. No. There will in our estimation be a certain amount of pulp wood. We canvassed the people at the timber limits in this area, and we got a mixed reception. Some of them said that they were not interested; others said: "well, we may ship."

It is our opinion that there will be a certain amount of pulp and lumber cut along the line of the railway.

*By Mr. Nicholson:*

Q. Is there a call for pulpwood?—A. There is a mill at Bathurst and also one at Dalhousie.

*By Mr. Nowlan:*

Q. You say that part of this traffic will be shipped by water and part by rail. Could you give the committee any idea of how much would be going by rail ultimately, and what it would do to the main line of the Canadian National Railways in so far as there might be traffic overlapping?—A. It is a little problematical. If we take the worst position so far as the railway is concerned we would get the whole of the traffic of out-bound concentrates of 120,000 tons a year at the present rate, which would move to sea port. Newcastle is one of the ports to which it might move. That would be the worst position; and in that event we would have to haul it about 22 miles on the branch line, and 30 miles into Newcastle, and then we would be through with it. That is not the most probable traffic, because Newcastle is a port which



is closed during at least five months of the year, and during those five months the mine, rather than stock pile concentrates, would probably want to move them out for Saint John or Halifax, or part one way and part the other. Moreover, there is one type of concentrate, copper concentrate, which industry will probably move all rail via the Vanceboro gateway, or it might move them via the Niagara gateway. So there is at the worst a substantial amount of business which the main line will get.

*By Mr. Johnston (Bow River):*

Q. Where is the nearest port for water transportation located?—A. I mentioned Newcastle, which is located on the Miramichi river. That is one port which is being considered, but there are others which may be concerned. I do know that there is a port at Bathurst, a port at Dalhousie, and we have Halifax and St. John. I think these various locations will have to fight it out to find out what is best for the industry. But so far as we are concerned, we are in a position to serve any of them.

*By Mr. Nowlan:*

Q. You say that Bathurst and Dalhousie would be ice-bound for five or six months of the year?—A. That is right.

Mr. GREEN: What about Halifax?

Mr. NOWLAN: Halifax is always free of ice.

*By Mr. Nicholson:*

Q. How does the construction cost per mile compare with the cost per mile of the Lynn Lake line?—A. This line should be cheaper to build than the Lynn Lake, provided you take into account the matter of inflation; this would be a much cheaper line.

*By Mr. Green:*

Q. But the estimate is more expensive?—A. Yes, but you have forgotten the outcome of inflation.

*By Mr. Hahn:*

Q. What is the ultimate destination of the ore?—A. As ore, the ultimate destination is the mine. When it is mined it immediately goes to a mill, and then it is reduced to concentrates. So far as we are concerned I have described where the concentrates are likely to flow. Beyond that I do not know. It is up to the mining company to run its own business. They will sell those concentrates, I presume, to the best advantage wherever they can.

Q. You said that the cost per mile by rail would be about 2 cents. Is that what you are going to charge the mine as a rate?—A. You mean the actual rate we propose to charge the mine? I have forgotten at the moment what it would be.

Q. Is it the same rate as the one from Knob for ten miles?—A. No, no.

Hon. Mr. MARLER: I suppose you mean Knob Lake?

*By Mr. Hahn:*

Q. Yes.—A. No. The rate is fixed by our traffic department and as such they take into account all the elements of rate making. I can give you this figure that we are going to get—or we anticipate getting. For the total mix of concentrates we are going to get something better than \$3 a ton.

Q. The rate to Newcastle, a haul of 52 miles in length, would be \$1.50 per ton?—A. Please do not misunderstand me. When I spoke of 2 cents to 10 cents, those were not railway and highway rates. I was talking of



railways and highway costs which are quite a difference matter. You see, I was speaking as development officer, and as development officer I am primarily thinking in terms of the costs of development. I was thinking in terms of the real cost of transportation, and it is not necessarily the rate.

For instance, with a highway, the province might build a road and somebody would truck over that road and they might truck for 5 cents a ton mile; but the province would find that it had a maintenance problem on that highway amounting to 3 cents a ton mile. I was taking into account the total cost of transportation, no matter whether it appeared in the freight rates, or whether it appeared in the licence fees or whether it appeared in trucks. I was looking at the overall picture. Please do not regard the 2 cents a ton mile as the actual rate.

*By Mr. Johnston (Bow River):*

Q. So the price you quoted is a speculative figure?—A. It is an estimate prepared by a professional man. That is what it is.

*By Mr. Hahn:*

Q. Could you give us the mileage by road from Heath Steele to Newcastle?—A. It is about 38 miles, as I recall it.

Q. Was Heath Steele mines the only mine contributing to that road which was built earlier.—A. Oh yes, Heath Steele mines to some extent, I understand, contributed to the cost of that highway.

Q. Do they operate their own trucking line at the present time?—A. No, they hire truckers.

Q. You say they hire trucks. You do not know how many truckers are in operation there at the present time?—A. No, I do not.

Q. We would not be able to estimate how many truckers were going to be put out of business?—A. No, I could not say as to that.

*By Mr. Green:*

Q. I understood you to say that Heath Steele mines was getting established and that you expected that there would be quite a large number of mines in that area? Is that correct?—A. Yes. I am distinctly optimistic about this area. I would say that we have in this area one of the major mineral deposits in Canada. I think that is emerging. It is a zinc-lead-copper area, and the favourable area, so far as now known for prospecting would extend all the way from—let us say—a point 20 miles to the north of Newcastle up to, let us say, the vicinity of Campbellton, and half way over to the St. John river. It is an enormously large area, and we now know that, in addition, Heath Steele mines have proved an area of ore deposits of 7,200,000 tons of ore.

A few miles away you have the New Brunswick Mining and Smelting Corporation, and they have 50 million tons of ore that have been demonstrated; and in the same general area, you have the Kennco mines with their prospecting, and the Texas Gulf Sulphur in prospecting, and the New Larder "U" Island mines, and while we have not shown them, there are other substantial mining companies which are prospecting in the area and they are, according to my information, getting indications. Therefore I think you can say that this area is one of the prosperous spots on the mining horizon.

Q. You say that the whole area of mineral formation is lead-zinc-copper?—A. So far as is known it is zinc-lead-copper, with some gold and silver.

Q. Would this branch line be in a position to serve all that area?—A. Not all of it. I said that it was strategically located to serve properties which may develop south of the Nipisiguit river, which cuts a huge trench through this



area. North of the Nipisiguit river the New Brunswick Mining and Smelting Corporation have prospects which may develop, and which could more rationally be served by another branch line on the north of the Nipisiguit river.

Q. Are there any negotiations under way leading to the construction of such a second branch line?—A. Yes, but they are in the preliminary stage.

Q. Looking at the map one would judge that the Canadian National Railways is in a very good position because you appear to have a line all the way around this mineralized belt.—A. That is true. Our main passenger line goes up through Newcastle, Bathurst, Campbellton, and Matapedia.

Our main freight line runs from Moncton through Chipman, Plaster Rock and Edmundston. We have a branch line from Campbellton over to St. Leonard, which surrounds the area, and we also have a branch line from Newcastle over to Fredricton.

Q. You seem to be in a very good position with regard to this mineralized belt?—A. Yes, and it is because of this fact that the Canadian National Railways is so very keenly aware of its responsibility to furnish transportation.

Q. We hear a great deal about a smelter to be erected, and of course it that were done there would be greatly increased freight traffic I presume. Has your company given any consideration to that possibility?—A. Oh yes, we have given a great deal of consideration to the location of a smelter. It may be recalled that when I was giving evidence on the Chibougamau line I pointed to the strategic importance of the Saguenay river, and there is now under development a smelter in that area.

This New Brunswick area is creating quite a problem because the ore is a highly complex ore. The metallurgy is very difficult. But at some stage I am hopeful that a smelter will be located and a refinery will be located, and that is probably as good a place of assured supply as any that I know of.

From a development point of view we are keenly interested in getting a customs nickel smelter located somewhere in eastern Canada and we feel that from the development standpoint that it is a logical development. We have had talks with many industrialists and they have all agreed that at some stage we should have a zinc refinery—a small refinery—in eastern Canada. It is already the hope of the chemical industry, and it is purely a matter of timing; but one of the things that has to be considered is an assured supply of zinc concentrates.

Q. You have that in this area?—A. In this area there is such an enormous amount of zinc that anybody controlling the mining here would know very definitely that for a period of a hundred years at least he would have no question at all as to the supply of zinc concentrates.

Q. How would the possibility of continuing production there compare with the production of the Sullivan mine in East Kootenay, which is the basis for the big smelter at Trail?—A. I am not too familiar with the details of Consolidated Mining & Smelting at Trail, but I would say that this area has turned out in such a short period as has elapsed from the time of the first discovery—it has turned up something in the order of 60 million tons of ore, which moves this area right up into the top notch areas of the world. It is spectacular from that point of view; but I would like to say again that the ore is very complex.

Q. And so was the Sullivan mine ore.—A. That is true. There was a time prior to 1920 when the Sullivan mine was just struggling. But they corrected their metallurgy and then it turned into a great industry. Here you have ore which is also complex but I would say that I have enough faith in technology to feel that these great natural resources will develop into a large industry.

Q. How would a smelter and a refinery derive their power? Would it be from electricity, or from coal, or what? What would be the fuel used?—A. A smelter of course is a thermal process and it would be based largely, on present



knowledge, either on coal or on petroleum, one or the other, as a source of energy. With a refinery, so far as zinc is concerned, you have your choice; you could either use a thermal reduction process, if you want to get high quality zinc, followed by redistillation, or you could use electric reduction, and in the latter case of course you would have to have a cheap source of power. Speaking as a Maritimer, I would be delighted if I could see a cheaper source of power developed in the maritimes than now exists.

Q. Would the development of the Saint John river mean power which was cheap enough for that purpose?—A. It would help, but I do not think it would be the determining factor because there is such a big market for power. The person generating power always has to make up his mind what market he is going to sell it to. If he has a high priced market, he would prefer to sell his power to that market rather than to a low priced market; and the market in the maritimes is such that it could absorb a very considerable amount of high cost power. On the other hand he might take some broad point of view and say: "No, I am not going to sell that power directly; I shall feed it into industry at a low price because I feel from a national point of view it would be a better show." Actually, I do not know the answer.

Q. Have you given any thought to the use of atomic energy?—A. I have.

Hon. Mr. MARLER: We are not going to use it on the railways.

*By Mr. Green:*

Q. No, I meant in mining.—A. I have considered it, because cheap power for the maritimes is something in which I am keenly interested. I have looked at the prospect of atomic energy, and at the present time I think you can grind out power cheaper with petroleum. But we might branch out into something else as time goes along, I suppose.

*By Mr. Purdy:*

Q. What type of motive power will you be using on this line?—A. Diesel.

Q. You spoke of rates. Are those rates fixed for any period?—A. The rates on the out-bound concentrates will be fixed for the period of the guarantee.

Q. For ten years?—A. No. The guarantee is for six years.

Q. And after that the rates would be subject to revision, if you find your operating costs going up?—A. Yes.

Q. And after six years, if your operating costs go up, your margin of profit goes down.—A. It is a business deal. We sat around the table, and they said: "we will give you guaranteed traffic if you will make the rates applicable to the period of the guarantee"; and we said: "O.K."

Q. You suggested that they had proven ore of sufficient quantity to write-off this mine before it was mined out?

Hon. Mr. MARLER: Ten years, I think he said.

*By Mr. Purdy:*

Q. Yes. Supposing—and this is a peculiar question—supposing that they had not been able to show that they have that quantity of ore to develop, and with all these other prospects around, what would have been your reaction to the general proposal?—A. We would have reacted this way: we would have said "Get busy and do some more diamond drilling!"

Q. You would not feel justified in recommending a branch line if you could not say it would pay itself off?—A. Well, I can say this: I have never supported a branch line before a committee of parliament where I was not personally convinced that that branch line would be self-liquidating within a period of time.

Q. You said that International Nickel were the people back of this venture?—A. Well, they are interested. It is my understanding that the International



Nickel Company had the equipment for air-borne magnetometer services, and they made a survey of this area from the air and they discovered certain anomalies. They then interested American Metals in the show, and between the two of them they control the result.

Q. American Metals and International Nickel?—A. Yes.

Q. It follows, as far as International Nickel is concerned, that they are taking certain of the profits from their operations in Canada for making further developments in Canada rather than to pay them to their shareholders?—A. I think you had better ask the International Nickel Company that question.

Mr. HAMILTON (York West): That is a political question!

*By Mr. Johnston (Bow River):*

Q. You said that your outgoing traffic would be concentrates?—A. Yes.

Q. About 90 per cent?—A. Yes.

Q. Then what would your incoming traffic be?—A. Mining supplies; reagents from the mill; explosives; steel for the drill steel; steel balls for the ball mill, and so on. But we are not proposing to put in a passenger service on this line. We told the industry that a bus operating on the highway was a more economical form of transportation than trying to form a passenger service by rail, so there will be no passenger service.

*By Mr. Carter:*

Q. Would there be any emergency passenger service like you have to Link lake?—A. There is a regular service to Link lake.

Q. I understood that before the Sessional committee on Railways and Shipping there was some complaint about the kind of service. Mr. Gordon explained that it was an emergency service, not a regular service.—A. We have a regular service there. I think perhaps you are talking of the service put in before the line was finally constructed. There is a period during construction when we are not under the authority of the Board of Transport Commissioners, until the line is finished. In that period we frequently engage in the operation technically called "operation during construction". That is a sort of emergency thing. There will be nothing of that character in this case.

Q. You have protected yourself against the company by means of a penalty clause if they do not give you the volume of traffic guaranteed. Have you given any guarantees to the company in case you fall down on your part of the job?—A. Yes, we have. We are under obligation to have that line in there as soon as we can build it, which is an indication that they consider the line valuable. In any event, it is to be in before December 31, 1958. We are under that obligation. It is our intention, if we secure early approval to the bill, to start in construction this year and we anticipate we will have the rail to these Health Steele Mines in the fall of 1957. The mine plans stockpiling its concentrates until we get in there. They propose to be actually in service in April 1957.

Q. Is the company protected in any way against loss that might arise from a railway strike, in which ore would not move?—A. There is only the guarantee. That traffic guarantee would not cover a strike, I think. If they lost production by reason of a strike we would not hold it against them.

Q. No, but would they hold it against you, if that ore was there to be transported and they could not move it and lost markets?—A. No, no, they have no claim against us.



*By Mr. Hamilton (York West):*

Q. What is the length of the period of amortization?—A. What I said was that with the present known reserves of ore, if those ore reserves were exploited and no other reserves were found, the mine would have a life of about 15 years and we would have amortized our railway a little say outside 10 years.

Q. Then the guarantee period is not sufficient to amortize your capital cost?—A. Oh, heavens no, because if we put it on that level there would be no interest whatever in the mining company having us build a line, they would build it themselves. You have to approach the thing from a business point of view. We sit down as businessmen and talk the thing over. There has to be a mutual give and take. If we asked them for a complete guarantee in which we took no risk, they might as well build the line themselves.

Q. Except that they would have to find the capital themselves in that case?—A. When you are talking of a company like the American Metals Company, finding the capital would be just peanuts. We approached it from that point of view and they looked at it from the same point of view—they were a mining company and did not want to operate a railway: we were railway operators and had no interest in the mining operations. We came to a business arrangement in which we would build the railway and they would guarantee traffic at a certain level and then we shook hands on the deal, subject of course to approval by parliament.

Q. So, in fact, there is what you say would be a fair assumption of risks on both the company and the railway?—A. Yes. I think there is undoubtedly a degree of risk on both the mining company and the railway. However, these risks are within the reasonable field of business activity. If we were not perfectly convinced that the risk, as far as the Canadian National Railways is concerned, is reasonably slight as to the future, I certainly would not be supporting the railway.

Q. You work out your costs on this and your amortization plan, on a rate which you figure will amortize the whole thing in something less than 15 years, taking into account of course the 6 year guarantee you have. Is that right?—A. Yes, that is correct.

Q. Now, when you work that rate out, what I am interested in is this—

Hon. Mr. MARLER: What rate are we talking about? Are we talking about freight rates or rates of amortization?

*By Mr. Hamilton (York West):*

Q. —would you say the freight rate is charged so that it will work out on your amortization plan?—A. That is the freight rate. I may have misled you. We did not set the rate to meet the amortization plan, we set it as being the rate which was set by competitive conditions. In other words, we had to convince the industry that they were better off with us than depending on highway transportation. It was that which set the rate. The rate is a competitive rate, it is set by the conditions the industry would be faced with if they did not have the railroad. Faced with those conditions and the rate having been determined on that basis, I then analyzed the effective rate on the basis of the scale of operations and the ore reserves which the mine has. On that basis I found that if things went according to plan we would have all our capital back in ten years.

Q. That is the plan I am getting at. That setting of a rate under the conditions which you have talked about extended your figuring and came out with the fact that it was an amortization of the capital cost in something less than 15 years?—A. That is correct.



Q. When you set this rate and extend the figures to work out your amortization, is there any part of the figure which you use in that rate which is calculated to cover the over-all operation of the railway?—A. Certainly.

Q. In other words, there is a contributing part of that figure which goes into the over-all operation of the Canadian National Railways?—A. Certainly.

Q. The reason I ask that is that it is most difficult on examination to find out which part of your lines pay and which do not, as we are answered that that is almost impossible to ascertain. I want to be sure that in this case the general operation figure is included in your competitive rate.—A. Certainly. To the extent the facilities are used, certainly. I would be a very poor analyst if I did not—and I am a professional analyst—do those things. I would not be worth my salt.

Q. No. Then, included in this rate is something which is going to help to pay some of the other areas which are a losing proposition from the company's point of view?—A. Of course, when you get into this picture of what is losing and what is profitable, you are embarking on a very frail barque on a very deep ocean. We live with the problem that we have lines which do not pay and when we think they are bad enough and the burden is too great, we take our troubles to the Board of Transport Commissioners and try to be relieved of them.

Q. You were asked questions about the final destination of the constant freights? I think that would be impossible for you to answer, but could you answer as to whether there is any place in this area at all, that is within Canada itself, for which they could be destined?—A. I said I am strongly in favour of zinc concentrate, a custom zinc smelter in Canada. In the absence of a custom zinc smelter here in Canada these concentrates are being sent to markets throughout the world. Where they go I do not know. They might go to Belgium or to Wales, in both of which locations there are smelters. They go anywhere smelters exist. Once you get on the highways of the ocean you have available dozens of places.

Q. At the present time there are no facilities for further process here?—A. No, not in Canada. I wish there were.

*By Mr. Purdy:*

Q. When you are speaking of rates, are you speaking only of the rates from the mine to Bartibog? When the material gets to the main line, what about the freight to the destination?—A. The rates I am speaking of would be the rates only to the main line.

In regard to the other question, if there were created a customs zinc smelter in eastern Canada I am satisfied that a mine operating anywhere in the St. Lawrence river basin or in the maritime provinces just could not afford to overlook the advantages of selling those concentrates to the Canadian refinery. That is, assuming that an artificial trade barrier did not get into the picture.

Mr. NICHOLSON: We are glad to have the information available to us this morning. In 1928, there was a branch line into Flin Flon, Manitoba. It was about 80 miles. The opposition were questioned about that. I think, and as I recall it, it was suggested that they had an ore body for ten years but after operating for 28 years it now appears as if the ores will be available for another 50 years. This has proved to be a very profitable operation for the Canadian National Railways. I hope the new one will be as successful a development as that in the Flin Flon area. I asked the minister earlier if he was coming before the house later on this matter. I was particularly interested in how far he had to go with economics before a recommendation was made.



I was interested in connection with cement works in Saskatchewan. It is proposed to build a branch line from Mafeking across to Swan river. The minister did not get round to answering the question in the house.

Hon. Mr. MARLER: I think I was very wise.

Mr. NICHOLSON: There is a cement plant being built in Regina and I wonder if the minister has done any research or examination in regard to it.

Hon. Mr. MARLER: I think if you ask Mr. Fairweather he would be able to tell you, as far as the Canadian National Railways is concerned.

The WITNESS: We have had negotiations with that outfit and the negotiations have been satisfactory.

*By Mr. Nicholson:*

Q. You have not reached the point of recommending yet?—A. As far as I am concerned, it is all through the mill.

Hon. Mr. MARLER: How long is the branch line?

Mr. NICHOLSON: A few miles.

The WITNESS: I do not think it requires an act. We have concluded an agreement with that company. We have general authority under our act to construct railways up to six miles in length without requiring a special act of parliament.

*By Mr. Hahn:*

Q. In what way does it differ from the agreed charge that exists on the line we are speaking of today where the proposed branch lines is 22 miles long?—A. An agreed charge is a particular definition of a term under which an industry in construction by a company give a certain operation rate and, given a tariff rate, contracts to send a certain proportion of its traffic by rail.

Q. Is that what we are doing here?—A. No, no, this is quite a different matter, this is a traffic guarantee. Under an agreed charge, once a man signs it he has no option. In this arrangement he does not undertake to use the railway at all. If he does not like the colour of our hair or something like that he can stop using the railway.

Q. Is there not a guarantee?—A. As I say, if he ceases to ship, he has to pay a penalty.

Q. I have another question in respect of passenger traffic. I think Mr. Johnson raised that question earlier but you said, if I remember correctly, that you had explained to the mines that it would be cheaper to use a bus system into the area from, say, Newcastle. Is there a bus in operation today?—A. No, I do not think there is, but there are private cars which are performing the same function. You have touched on a rather interesting point. Typically, in the old days, whenever you got a mine like these Heath Steele Mines, around that mine there was developing a town. The Heath Steel felt—and I agree with them—that advantage should be taken of the proximity of a municipality like Newcastle, which is already fully equipped with all conveniences, to be the base of operations and that the 35 miles between Newcastle and Heath Steele Mines should not bar people living in Newcastle and working in the mines. Therefore, they do not propose to have a town set up at the Heath Steele Mines. They propose to use the Newcastle townsite. They came to us and when we were talking about the railway they asked us frankly about the running of a rail passenger service from Newcastle to Bartibog over the Heath Steele line. We examined it and we gave them figures and those figures demonstrated very conclusively what I have said, that they are much better off to stay on the highway for passenger traffic.



Q. Provided the passenger rate would compensate those who were operating the bus?—A. I find myself going round in circles. I have said time and again that the cost of the service by the railway is higher than the cost of service by highway when it comes to transportation of passengers. Incidentally, we said: "We are not intending to put a passenger service on here on the railway and operate it at standard railway rates unless you are prepared to guarantee the patronage, because otherwise people would be driving from the Heath Steele Mines to Newcastle and we would be running an empty train". It is just as simple as that.

Q. What examination has been made into this possibility of running a line from Bathurst to the Heath Steele Mines?—A. This blue line you see here is an old abandoned railway which is owned by the province of New Brunswick. At one time there was an iron mine located on the banks of the Nipisiguit river. It went bankrupt and the province of New Brunswick became the heir to the railroad. The railway was actually rejuvenated during world war II when the Germans had stopped us from moving the iron ore from the Wabana mines. Ore of an inferior grade was taken from this mine over the rejuvenated branch line. Immediately the war ended, the matter was dropped and subsequently this discovery was made in the near vicinity. I have explained that this big mineral area is divided into two spheres. One is on the north of the Nipisiguit and the other is on the south of Nipisiguit. The blue line is on the north of the Nipisiguit. We looked into the possibility of serving this whole area with one branch line instead of with two and came to the conclusion that it was better to have two rather than one. If the point of your remark is as to what this branch line would do, it will probably be required to serve the mines on the north side of the Nipisiguit river.

*By Mr. Barnett:*

Q. Do I take it that that line at the present time is actually not in operation?—A. It is not in operation as a railway.

Q. Has the Canadian National Railways any interest or has it acquired any interest in rights in regard to it?—A. That would depend on the mining interest to the north of Nipisiguit.

Q. Are there mining properties in the northern area which are in production at the present time?—A. Not in production. There is nobody in production.

*By Mr. Green:*

Q. Could the agreement between the mining company and the railway company be included in the proceedings?—A. At this stage I would like to submit that it is not in the interest of the development of Canadian National Railways to disclose the details of these guarantee agreements. We have always treated them as confidential documents. We have stated in general terms what they include, but I would respectfully suggest that their details should not be disclosed.

Hon. Mr. MARLER: I think it really puts the national railway at a disadvantage vis-a-vis its competitors across the country if it is called upon to answer that sort of question.

Mr. GREEN: I do not want to do that.

Clause 1 agreed to.

On clause 2—Competitive Bids or Tenders.

*By Mr. Hamilton (York West):*

Q. On clause 2, could Mr. Fairweather tell us approximately how much of this work will be laid out to contract and how much will be done by the contractor themselves?—A. Our standard practice is to let everything by contract except the railway line.



Q. What does that come down to in dollars, or in proportions?—A. Roughly three quarters of the work is done by contract and one quarter by our own labour force.

Q. Do contracts for most of this work go to contractors in the area in which you are operating, or do some of them go outside?—A. They go to contractors who quote us the lowest price and who give us the impression that they are good businessmen.

Hon. Mr. MARLER: Even if they come from Toronto.

Clauses 2 to 5 inclusive agreed to.

On clause 6—Guarantees.

Mr. HAMILTON (*York West*): In connection with the securities that are issued, has it ever been the custom to tie them down to the particular construction that is taking place or are they always of a general nature—a general obligation of the railway company?

Hon. Mr. MARLER: My understanding is that though the act provides—for financing by the issue of securities it is customary for the Department of Finance to advance the funds; I do not think specific debentures are issued against specific project.

Mr. HAMILTON (*York West*): Although the advance is made by the government through the Department of Finance, are these securities not issued to the public as well?

Hon. Mr. MARLER: I think there is no issue made specifically in relation to specific projects.

Mr. HAMILTON (*York West*): In other words it is financed through a general issue of bonds of the C.N.R.?

Hon. Mr. MARLER: I think that is correct.

Mr. HAMILTON (*York West*): Has any thought ever been given to tying it down to a specific project? Mr. Fairweather has set out very clearly the economic circumstances, and the indication is that this is a line which in the ordinary course of business should make money. Has any consideration ever been given to tying down the issue of securities against the new construction that takes place? Secondly, if that has ever been considered, is it possible that this type of issue might take place without a guarantee of the dominion government behind it?

Hon. Mr. MARLER: It seems to me that the question takes in a lot of ground. I doubt very much whether, first of all, this is a very appropriate occasion on which to discuss it, because we are dealing here with an issue of \$3,220,000 and I do not think the hon. member would suggest we should finance an amount of \$3,220,000 separately from the over-all requirements of the C.N.R. As the hon. member knows there is a financing bill before the house at the present time, and my understanding is that all the requirements of the railway would be taken care of under that bill though this present bill is, of course, authority to spend the money and, if necessary, in theory, to issue securities for that purpose.

Mr. HAMILTON (*York West*): Does the hon. minister know whether there has ever been an issue of securities against a particular project?

Hon. Mr. MARLER: I do not think that has taken place in the case of the Canadian National Railways.

Mr. NOWLAN: Would it not take a tremendous amount of bookkeeping to keep the different issues separate?

Hon. Mr. MARLER: I do not know, but I think it would be likely.

Clause 6 agreed to.



Clauses 7 and 8 agreed to.

On the schedule.

Mr. BARNETT: May I ask one question for information? I notice that though the estimated cost of this line is \$2,800,000, clause 4 provides for a loan up to \$3,220,000. What is the reason for the difference?

Hon. Mr. MARLER: It is customary to add a margin of 15 per cent to the estimated cost. I think that if you add 15 per cent to \$2,800,000 it will amount to \$3,220,000.

Schedule agreed to.

Title of the bill agreed to.

Bill, without amendment, to be reported.

Hon. Mr. MARLER: I wonder if we might have the names of the gentlemen accompanying Mr. Fairweather? Would you indicate, for the record, those who are with you today, Mr. Fairweather?

The WITNESS: Mr. Lionel Côté, assistant solicitor general, Mr. G. H. Hoganson, Office Engineer, and Mr. K. M. Ralston, mining engineer.

The CHAIRMAN: Before we leave I want to thank Mr. Fairweather and his assistants for the splendid presentation they have made to the committee.



